BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The opinion of the District Court is reported in 43 F. Supp. 512, and is reproduced beginning at page 742 of Vol. II of the Record.

The opinion of the Court of Appeals for the Seventh Circuit has not yet been reported, but will be found beginning at page 1800 of Vol. IV of the record.

Jurisdiction.

The grounds for jurisdiction are:

1. The date of the judgment to be reviewed is August 10, 1942; petition for rehearing denied September 16, 1942.

2. The judgment was rendered in a civil action brought under the patent statutes to determine the issues of validity and infringement of Letters Patent of invention.

3. The statute under which jurisdiction is invoked is 240 (a) of the Judicial Code, 28 U. S. C. A. 347, as amended by the Act of February 13, 1925.

4. Cases believed to sustain the jurisdiction are:

Carbice Corp. v. *American Corp.*, 283 U. S. 27;
Morton Salt Co. v. *Suppiger Co.*, 314 U. S. 488;
Milcor Steel Co. v. *George A. Fuller Co.*, 315 U. S. ___; 86 L. Ed. 897.

Statement.

The facts are suffciently stated in the petition.

Specification of Errors.

The errors which petitioner will urge if the petition for certiorari is granted, are that the Circuit Court of Appeals for the Seventh Circuit erred:

1. in sustaining the Smith and Bild Patent No. 2,203,510 as valid and infringed;

2. in holding that petitioner is estopped to attack the validity of the Smith and Bild Patent No. 2,203,510;

3. in holding that the doctrine of estoppel is applicable to petitioner in the light of the specific facts of this case;

4. in failing to hold the Smith and Bild Patent No. 2,203,510 to be invalid because of want of invention and illegal alteration of claims;

5. in failing to hold non-infringement of the patent because of file wrapper estoppel.

Summary of Argument.

The points of argument follow the reasons relied upon for the grant of a writ of certiorari, and are stated on pages 8 and 9 of the petition as well as in the index hereto. For the sake of brevity they are omitted at this point.

ARGUMENT.

POINT I.

Public policy as to patents.

We assert that the Court of Appeals for the Seventh Circuit has misconceived the true nature of public policy as to patents, and has unduly limited the function of the Federal Courts in carrying out that policy.

It is, of course, elementary that there is a vast public interest in the adjudication of the validity of patent monopolies. As this Court has frequently stated, it is a Court's duty to the public to scrutinize each patent monopoly as to its validity before its judicial sanction. The reason for this is obvious. The patent statutes were framed to create an inducement and establish a reward for "invention" which would promote the useful arts and sciences and be of benefit to mankind. As opposed to this is the long recognized public benefit of open competition in industry. As this Court stated years ago in *Pope Manufacturing Co.* v. *Gormully,* 144 U. S. 224, 234:

> "It is as important to the public that competition should not be repressed by worthless patents as that the patentee of a really valuable invention should be protected in his monopoly." *

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* Under this instruction the Third Circuit Court of Appeals said, in *Standard Water Systems, Inc.* v. *Griscom-Russell Co.,* 278 F. 703, 707:

> "As before said, regardless of the principle that an assignee of a patent cannot deny invention, it is the duty of the Court to determine lack of invention, where apparent, in order that the public interests may be guarded."

In the face of the public interest in the adjudication of validity for patent rights, and the duty to the public imposed thereby upon the Federal Courts it would seem to be anomalous that any inflexible doctrine or dogma could exist or be permitted to stand which would deprive a Court of its power to determine the validity of a patent grant, properly before it, or relieve it of the duty to do so.

Here, the Court of Appeals has sustained the Smith and Bild patent as valid, with all of the inevitable consequences that the dignity of such adjudication carries with it. The Court did this in the belief that, despite the public interest and its duty to the public because thereof, an inflexible and dogmatic doctrine of estoppel tied its hands and prevented its judicial consideration of manifest reasons for invalidating the patent.

Having in mind that estoppels have frequently been characterized as "odious" and as forbidding one to "speak the truth", we advance as an initial proposition that no such doctrine should stand in opposition to the public interest and the duty imposed upon the judiciary as a result.† In support of this proposition the Court of Appeals for the Sixth Circuit, in a case in which the patent owner endeavored to restrict the power of the Court by an asserted estoppel against the defendant, most aptly said (*Kellogg Switchboard & Supply Co.* v. *Michigan Bell Telephone Co.*, 99 F. (2d) 203, page 205):

> "The public is always a third party to an infringement suit, and its rights may not be waived by the conduct of alleged infringers, however repugnant to their later contentions."

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† *Westinghouse* v. *Formica Insulation Co.*, 288 Fed. 330, C. C. A. 6; *Stubnitz Greene Spring Corp.* v. *Fort Pitt Bedding Co.*, 110 F. (2d) 192, C. C. A. 6.

This Court currently has recognized the importance of the question here presented because it granted certiorari in the case of *Solar Electric Co.* v. *Jefferson Electric Co.*, No. 45, October Term, 1942, wherein the same question is presented in a case involving an asserted estoppel against a *licensee* under a patent, as distinguished from an alleged *assignor* thereof as in the present case.

We do not question the propriety of the doctrine of estoppel which would preclude one who sells *title* to a patent grant from thereafter questioning the *title* he has conveyed. That has long been the established law with respect to the transfer of land, which is the most frequently utilized analogue when considering patent rights. But we do distinguish between estoppel to question *title*—a subject in which the public has no interest whatever—and an estoppel to question the *validity of a patent*—in which the public has a most important and controlling interest.

As is well know, a patent is merely presumptively valid, and the presumption may be overcome in any attempt to enforce the patent. The usual assignment of a patent carries with it no representation or guarantee as to its validity. The patent grant, on its face, pursuant to Section 4884 R. S., endows the patentee with the exclusive right to make, use or vend the thing patented—*provided, that by proper adjudication, the Federal Courts, asked to enforce the patent, determine that it has been validly granted for an "invention" over what preceded it in the art.* Inasmuch as this *proviso* always exists with respect to every patent, there seems to be no logical reason—and certainly no proper legal one—why one who, at some time during its life has owned the patent, is placed in a position different from that of any other member of the public, and is forever estopped from enforcing the *proviso* which is inherent to the grant.

On the other hand, the reasons why no such estoppel should exist are impelling. Adverting to the facts of the present case, the invention of the Smith and Bild *application* for patent comprised a specific thing. Preliminary proceedings in the Patent Office with respect to the application had progressed to a stage where the limits of the invention proper to be monopolized by the inventors had been fairly well established. Specifically, all presumed right to a patent for *continuous* paper feed had been affirmatively disclaimed. At that stage the control of the further prosecution of the application was acquired by respondent. Under its control respondent secured the issuance of the patent with the four claims sustained by the Court of Appeals below for an invention entirely different from that for which a patent was sought when it acquired control of the application. Specifically, this was the precise feature which theretofore had been *disclaimed* as constituting the invention. On this statement of the facts, to hold that the first owner of the application is estopped to deny the validity of the claims thus obtained for subject matter foreign to that of which the initial owner was possessed, and the presumed right to which, moreover, had been deliberately and effectively disclaimed, is to sanction a fraud upon the *public* by a doctrine which was created to prevent a fraud upon *a private person.*

Thus, and still adhering to the facts of the present case, the consequence of what we believe to be an erroneous interpretation and application of the doctrine of estoppel by the Court of Appeals below is to sustain as valid a patent which manifestly is invalid, and at the same time deprive the public of petitioner's competition by means of an invention subsequently made, which, due to its enormously increased production capabilities, inevitably would reduce the cost of an extensively used article of commerce. *Public* benefit has

always been recognized as the purpose of the patent statutes; * however, this purpose is effectively defeated by the decision of the Court of Appeals below.

It is believed that all of the foregoing considerations warrant a review of the case by this Court.

POINT II.

The doctrine of estoppel to attack validity of a patent right by one who at some time has owned it, if it properly exists at all, is inapplicable to one who conveys merely an application for patent.

This question has not been passed upon by this Court.

It will be remembered that estoppel was found and applied by the Court of Appeals below because Hulseman, an officer, managing director and the majority stockholder of petitioner, had previously been an officer, managing director and a minority stockholder of Paper Cup Corporation which owned the *application* for the Smith and Bild patent. And this despite the fact that Hulseman had severed his connection with the Paper Cup Corporation 3½ years prior to the date that that corporation assigned the application to respondent. As has frequently been stated (notably by the Circuit Court of Appeals for the Sixth Circuit in *Westinghouse* v. *Formica*, 288 F. 330), the rights represented by an *application* for patent are inchoate, and the application consists of no more than a suggestion of what those rights might ultimately be determined to be. Obviously, one owning such inchoate rights might sell them in the belief that at the time of sale they constituted a specific invention, and find, years later, that the purchaser, by process of prosecu-

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* *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U. S. 502.

tion in the Patent Office, has changed those rights into and defined them as something which was no part of the specific invention sold, or which he could not sell because it was in the public realm. Obviously, under such circumstances the seller should not be estopped to attack either the propriety or the validity of such altered and different claim for invention.

Such was the reasoning which induced the Court of Appeals for the Sixth Circuit to pass squarely on this question in *Westinghouse* v. *Formica Insulation Co.*, 288 F. 330, and to hold that no doctrine of estoppel is applicable to the owner of an *application* for patent.* To the same effect is the unequivocal decision of the United States District Court for the Eastern District of New York in *Vogt Instant Freezers* v. *New York Eskimo Pie Corp.*, 59 F. (2d) 99 (affirmed on other grounds, 69 F. (2d) 84, C. C. A. 2).

Therefore, there is direct and irreconcilable conflict between the decision of the Court of Appeals for the Seventh Circuit in the present case, and the decisions of the Court of Appeals for the Sixth Circuit and the District Court of New York, on this important question, which, because of the great public interest involved, should be resolved by this Court.

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* This Court affirmed this case (*Westinghouse* v. *Formica*, 277 U. S. 342) upon other grounds, and expressly refrained from passing on this question.

POINT III.

The doctrine of estoppel to attack validity of a patent, if it properly exists at all, is inapplicable to one merely because, at some time, he had merely casual and temporary ownership.

As it has been applied by the Court of Appeals in this case, the doctrine of estoppel to attack the validity of a patent grant is applicable to anyone who may have been possessed of title thereto at any time during the life of the patent, even though such ownership was casual and temporary. Obviously, such an extension of the doctrine of estoppel is illogical in the extreme, and would go a long way towards discouraging the sale of patent rights for commercial exploitation—an ultimate goal of the inventor (cf. the concurring opinion of Judge FRANK in *Picard* v. *United Aircraft Corp.*, 128 F. (2d) 632).

It is believed that if the doctrine is properly applicable at all (and this is vigorously denied) it necessarily must be limited to the immediate seller with respect to the immediate purchaser. Because of the obvious consequences of an extension of the doctrine in the manner in which the Court of Appeals below has extended it this Court is urged to pass upon the matter.

POINT IV.

Under no circumstances is the doctrine of estoppel against a corporation applicable to a subsequently created corporation or to an individual connected with the first corporation, especially when the act allegedly creating the estoppel occurred 3½ years after the individual severed his connection with the first corporation.

As shown by the facts of the case (*ante*, pp. 3-6), the estoppel found and held by the Court of Appeals below to prevent petitioner from questioning the validity of the Smith and Bild patent was predicated upon the fact that the individual, Leo Hulseman, was an officer, the managing director and the majority stockholder of the petitioner corporation, and the same Leo Hulseman had been an officer, the managing director and a *minority* stockholder of a prior corporation (Paper Cup Corporation) at the time it owned the Smith and Bild application for patent. It is submitted that the holding, under such circumstances, that petitioner corporation was estopped to attack the validity of the Smith and Bild patent was wholly without legal justification.

Even under the most liberal extension of the principles which flow from the theory of *alter ego*, the connection between petitioner corporation and the Paper Cup Corporation, through the medium of the individual, Leo Hulseman, is so tenuous as to afford no legal support for the conclusion of the Court of Appeals. And this is especially so when it is remembered that Hulseman severed his connection with Paper Cup Corporation 3½ years before that corporation assigned the Smith and Bild application to respondent—the act which, assertedly, created the estoppel.

This Court had before it facts almost identical, in this respect, with those here involved, in the case of *Westinghouse* v. *Formica,* 277 U. S. 342, but expressly refrained from deciding the issue presented thereby. It is believed that this Court should do so in the present case.

Conclusion.

Wherefore, petitioner earnestly prays that the petition for writ of certiorari be granted; the case be reviewed; and the decree of the Court of Appeals for the Seventh Circuit finding validity for and infringement of the Smith and Bild Patent No. 2,203,510 be reversed.

Respectfully submitted,

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Dated: New York, N. Y.,
October 28, 1942.